

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Ruth Y. Goldway, Chairman;
Nanci E. Langley, Vice Chairman;
Mark Acton;
Tony Hammond; and
Robert G. Taub

Competitive Products Price Changes
Rates of General Applicability

Docket No. CP2013-3

NOTICE AND ORDER CONCERNING CHANGES IN RATES OF GENERAL
APPLICABILITY FOR COMPETITIVE PRODUCTS

(Issued October 12, 2012)

On October 11, 2012, the Postal Service filed notice with the Commission concerning changes in rates of general applicability for competitive products.¹ The Notice also includes related classification changes. The Postal Service represents that, as required by the Commission's rules, 39 CFR 3015.2(b), the Notice includes an explanation and justification for the changes, the effective date, and a schedule of the changed rates. The changes are scheduled to become effective January 27, 2013.

¹ Notice of the United States Postal Service of Changes in Rates of General Applicability for Competitive Products Established in Governors' Decision No. 12-2, October 11, 2012 (Notice). The Notice is available on the Commission's website, www.prc.gov. Pursuant to 39 U.S.C. 3632(b)(2), the Postal Service is obligated to publish the Governors' Decision and record of proceedings in the *Federal Register* at least 30 days before the effective date of the new rates or classes.

Attached to the Notice is Governors' Decision No. 12-2, which evaluates the new prices and classification changes in accordance with 39 U.S.C. 3632-33 and 39 CFR 3015.2. The Governors' Decision provides an analysis of the competitive products' price and classification changes intended to demonstrate that the changes comply with 39 U.S.C. 3633(a) and 39 CFR part 3015.

The attachment to the Governors' Decision sets forth the price changes and includes draft Mail Classification Schedule language for competitive products of general applicability. Selected highlights of the price and classification changes follow.

Express Mail. Overall, Express Mail prices increase by 5.8 percent. Retail prices increase, on average, by 6.5 percent. The existing structure of the pricing categories for zoned Retail, Commercial Base, and Commercial Plus price categories does not change. Prices in the Commercial Base category, which offers lower prices to customers who use online or other authorized postage payment methods, increase by 2.0 percent. Prices in the Commercial Plus category, which offers even lower prices to large-volume customers, receive a 1.0 percent increase. Prices for Retail Flat Rate Envelopes and Legal Flat Rate Envelopes increase by 5.3 percent. The recently-introduced Padded Flat Rate Envelope increases to \$19.95.

Priority Mail. Price increases for Priority Mail vary by rate cell and price tier. Priority Mail prices increase by 6.3 percent overall, with average retail prices increasing 9.0 percent. The Postal Service notes that approximately 3.0 percent of this 9.0 percent increase is due to the addition of free tracking. Priority Mail Flat Rate Box prices change to the following: Small (\$5.80), Medium (\$12.35), Large (\$16.85), and Large APO/FPO/DPO (\$14.85).

The existing structure of Retail, Commercial Base, and Commercial Plus price categories does not change. Commercial Base category prices increase by 3.7 percent. The Commercial Plus category prices receive a 3.8 percent increase. The Commercial Plus price category continues to offer Critical Mail letters and flats, a half-pound price, an assortment of Flat Rate packaging, and Commercial Plus Cubic pricing.

As a new offering, customers sending Critical Mail letters and flats have the option of receiving a signature upon delivery. The new letter option is priced at \$4.60 while the flat option is priced at \$5.35.

Parcel Select. Parcel Select Service prices increase, on average, by 9.0 percent. For destination entry parcels, the average price increases 8.0 percent for dropshipping at a destination delivery unit, 4.9 percent for parcels entered at a destination sectional center facility, and 4.8 percent for parcels entered at a destination Network Distribution Center (NDC).

For nondestination-entered parcels, the average price increase is 5.7 percent for origin NDC presort, 4.3 percent for NDC presort, and 4.2 percent for nonpresort. Lightweight Parcel Select (formerly Standard Mail commercial parcels) prices increase by 9.8 percent. The Regional Ground category is eliminated.

Parcel Return. Parcel Return Service prices increase, on average, by 4.8 percent. The price for returned parcels retrieved at a NDC increases by 1.0 percent, and the price for parcels picked up at a return delivery unit increases by 8.5 percent. Additionally, the Postal Service introduces a full network return solution for high-volume mailers of at least 50,000 pieces annually.

First-Class Package Service. First-Class Package Service prices increase, overall, by 3.0 percent, with no structural changes. First-Class Package Service was transferred to the competitive product list on April 6, 2011.

Parcel Post/Standard Post. On July 20, 2012, the Commission conditionally approved a Postal Service request to transfer Parcel Post from the market dominant product list to the competitive product list. As part of the Commission's conditional approval, the Postal Service must increase the prices for Parcel Post to achieve at least 100 percent cost coverage. To satisfy this condition, the Postal Service proposes to increase the prices for Parcel Post by 21 percent to achieve 100 percent cost coverage in this docket. It also seeks to rename the transferred Parcel Post product as Standard Post.

Domestic Extra Services. Premium Forwarding Service prices increase by 10.5 percent. The weekly reshipment fee increases to \$17.00. On average, Address Enhancement Service prices increase between 3.7 and 17.7 percent. Competitive Post Office Box prices increase by 2.6 percent. The Pick-up On Demand fee increases to \$20.00. As a new offering, customers ordering flat rate packaging supplies online can pay a fee to get these supplies delivered faster. This new service is priced at \$2.50 and a price range will be established by the Postal Service.

Global Express Guaranteed and Express Mail International. Global Express Guaranteed (GXG) service prices increase, on average, by 9.6 percent. Express Mail International (EMI) service prices increase, on average, by 13.2 percent.

For both GXG and EMI, most of the existing price structure remains the same. However, the maximum weight of the EMI Flat Rate Envelope will decrease from 20 pounds to 4 pounds. Additionally, the Postal Service may offer a promotional discount or rebate on certain GXG and EMI items.

Priority Mail International. Overall, Priority Mail International (PMI) prices increase by 15.1 percent. The existing price structure of PMI Flat Rate, Retail, Commercial Base, and Commercial Plus price categories is maintained. Classification changes include the availability of Electronic USPS Delivery Confirmation International, which is optionally provided on certain Priority Mail International Flat Rate Envelope and Small Flat Rate Box offerings to select destinations at no change. Electronic USPS Delivery Confirmation International offers scan events for customers using certain software or online tools. Additionally, the Postal Service may offer a promotional discount or rebate on certain PMI items.

International Priority Airmail. International Priority Airmail has a price increase of 1.9 percent.

International Surface Air Lift. International Surface Air Lift has a price increase of 4.4 percent.

Airmail M-Bags. The published prices for Airmail M-Bags increase by 7.3 percent.

First-Class Package International Service. On September 10, 2012, the Commission approved a Postal Service request to transfer First-Class Mail International Packages and Rolls from the market dominant product list to the competitive product list. The Postal Service identifies the newly-transferred product as First-Class Package International Service (FCPIS). Due to anticipated cost increases and market conditions, FCPIS will receive a 58.6 percent increase. As part of FCPIS, the Postal Service will offer (1) Electronic USPS Delivery Confirmation International for certain FCPIS mailpieces meeting certain physical characteristics sent to select destinations; and (2) Commercial Base and Commercial Plus discounts. Additionally, the Postal Service may offer a promotional discount or rebate on certain Outbound Single-Piece FCPIS items.

International Ancillary Services. Several international ancillary services and paper money orders receive price increases. Certificates of Mailing prices increase by 4.3 percent. Registered Mail prices increase by 10.2 percent. International Return Receipt also receives price increases, and International Postal Money Order prices increase by 1.1 percent. The amount of merchandise insurance coverage available for no fee increases from \$100 to \$200. Because the Postal Service is eliminating the \$0.85 fee for the \$100.01 - \$200 merchandise insurance coverage tier, the overall price increase for international ancillary services is zero percent.

Details of these changes may be found in the attachment to Governors' Decision No. 12-2 which is included as part of the Notice.

The Notice also includes three additional attachments:

- A redacted table showing FY 2013 projected volumes, revenues, attributable costs, contribution, and cost coverage for each product, assuming implementation of the new prices on January 27, 2013.
- A redacted table showing FY 2013 projected volumes, revenues, attributable costs, contribution, and cost coverage for each product, assuming a hypothetical implementation of the new prices on October 1, 2012.
- An application for non-public treatment of the attributable costs, contribution, and cost coverage data in the unredacted version of the

annex to Governors' Decision No. 12-2, as well as the supporting materials for the data.

The table referenced above shows that the share of institutional cost generated by competitive products, assuming implementation of new prices on January 27, 2013, is expected to be 10.4 percent.

Notice. The Commission establishes Docket No. CP2013-3 to consider the Postal Service's Notice. Interested persons may express views and offer comments on whether the planned changes are consistent with 39 U.S.C. 3632, 3633, 3642, 39 CFR part 3015, and 39 CFR 3020 subparts B and E. Comments are due no later than October 26, 2012.

Pursuant to 39 U.S.C. 505, Emmett Rand Costich is appointed to serve as Public Representative to represent the interests of the general public in this docket.

It is ordered:

1. The Commission establishes Docket No. CP2013-3 to provide interested persons an opportunity to express views and offer comments on whether the planned changes are consistent with 39 U.S.C. 3632, 3633, 3642, 39 CFR part 3015, and 39 CFR 3020 subparts B and E.
2. Comments on the Notice are due no later than October 26, 2012.
3. The Commission appoints Emmett Rand Costich to serve as Public Representative to represent the interests of the general public in this proceeding.
4. The Secretary shall arrange for publication of this Order in the *Federal Register*.

By the Commission.

Shoshana M. Grove
Secretary